Statement by Bart Ruth
Past President – American Soybean Association
On behalf of the Nebraska Soybean Association

Governor Heineman Farm Bill Listening Session
Nebraska Sate Fair
August 31, 2005

It is my pleasure to speak this evening on behalf of the 1200 members of the Nebraska Soybean Association. We are appreciative of the Governor's willingness to let producers express their opinions on their desired policy objectives as we move toward development of the next Farm Bill. The level of participation at this, and other listening sessions around the country, including those held by USDA Secretary Johanns, should send a strong signal that the need for meaningful program support is critical to the future success of agriculture.

Having served as President of the American Soybean Association during the drafting of the 2002 Farm Bill, I realize that we face a far different scenario today in regard to Federal Budgets and World Trade Organization obligations. However, the need for a broad range of safety net programs, both in the commodity and non-commodity titles, is maybe even more critical today than in 2001. The threat of ever escalating fuel costs certainly casts a cloud over the profitability of farms, especially in Nebraska where we depend on irrigation to a great extent.

The need to lessen our dependence on fossil fuels creates a great opportunity for agriculture and should be a major component of the next farm bill. The bio-based energy provisions in the recently passed Energy Bill should provide a springboard for expansion of agriculture based energy research and development. One concept that bears consideration is the creation of an Ag bio-based strategic energy reserve, where producers are compensated for growing crops that are used in energy creation. Expanded production of ethanol and biodiesel, coupled with new investment in biomass conversion technologies and wind power generation, will provide new drivers for our state's economy.

Another non-commodity specific area of support that should be expanded is conservation programs on working lands. The Conservation Reserve Program should be scaled back and voluntary, incentive based programs such as the Conservation Security Program expanded. My experience with the CSP has been positive and the level of support provides incentives to implement further conservation measures. The expansion of the program to all watersheds will not be accomplished without challenges, but the program has benefits for producers and the environment.

While Ag bio-energy and conservation are two relatively new concepts garnering a lot of attention, many of the current components of the Farm Bill warrant continued support. To maximize U.S. competitiveness, we must continue to provide a safety net of income or price support when income or prices fall below a target or historical level. This provides a level of security to protect against the adverse effects of trade barriers, competitor country currency manipulations, or other market distortions.

To the extent permitted under the WTO, the marketing loan program should be continued in the 2007 Farm Bill. While income support in the form of direct payments are the easiest to fit within the parameters of our WTO obligations and the so-called Green Box, they do have unintended consequences, namely that they are quickly capitalized into land rents and land values. We would suggest that the temptation to shift support from other areas into direct payments be avoided and that alternate innovative programs be developed.

One concept worthy of consideration would be a revenue based insurance program, similar to the GRIP (Guaranteed Revenue Insurance Program) that is currently offered in some states. The WTO allows revenue protection up to 70 percent to be included in the Green Box, and possibly negotiated as high as 80-85%. The balance of income protection could then be provided by the marketing loan and buy up coverage under crop insurance. ASA is examining how this modified GRIP program impacts all crops and geographies within the U.S.

Increased funding for agricultural research should also receive major consideration.

Soybean producers feel that the goal of farm policy should be to provide an equitable farm income safety net, while allowing market conditions to determine cropping decisions. The 2002 farm bill does not provide this balance, and producers of crops that receive comparatively lower benefits are not fully responding to sharp increases in world demand for these commodities. Continued support of Foreign Market Development and Market Access Program are vital to continued growth in demand worldwide.

It must be noted that meaningful gains in market access must be attained in the current round of WTO negotiations if U.S. producers are expected to accept any reduction in funding for the 2007 Farm Bill.

In closing, while most Farm Bills tend to be more evolutionary than revolutionary, it may be time to revolutionize a bit and realign public policy to make Agriculture <u>the</u> major supplier of energy in the 21st Century.

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